

LEF&C LEASING COMPANY INCORPORATED

No. 9-0033220

Date FEB 12 1979

Fee \$ 50.00

ICC Washington, D. C.

CLARION



PA. 16214

February 9, 1979

Reply To-

Jay F. Miller
316 Trust Company Bldg.
Franklin PA 16323

Tel.- 814/432-5083

Mr. H. Gordon Gordon Homme, Jr.
Secretary
Interstate Commerce Commission
Washington D.C. 20423

10086
RECORDATION NO. Filed 1425

FEB 12 1979 - 2 05 PM

INTERSTATE COMMERCE COMMISSION

RECEIVED
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FEE OPERATION BR.

Dear Sir:

The attached original and two counterparts of a Lease Agreement dated as of February 1, 1979, between LEF&C Leasing Company Incorporated and Lake Erie, Franklin & Clarion Railroad Company (with Equipment Schedule Nos. 1, 2 and 3 attached) document the lease of railroad equipment as generally described in the Equipment Schedule Nos. 1, 2, 3 which form a part of the said Lease Agreement, copies of which Schedules are appended to this letter.

The names and addresses of the parties to the Lease Agreement are:

Lessor: LEF&C Leasing Company Incorporated
P. O. Box 430
Clarion PA 16214

Lessee: Lake Erie, Franklin & Clarion Railroad Company
1062 E. Wood Street
Clarion PA 16214

We are submitting the above documents for recordation under Section 20(c) of the Interstate Commerce Act.

Upon completion of the recordation procedure, it will be appreciated if you will retain the original and one counterpart of the Lease Agreement, which documents will be retrieved by Mrs. Galolyn H. Kunkel or other representative of Kunkel Transportation Services, Inc., 425 Thirteenth Street, N.W., Washington, D.C..

Thank you for your attention to this request.

Very truly yours,

Jay F. Miller
Jay F. Miller, President

cc: Mr. J. L. Hartle, Vice President - LEF&C

Mr. Ralph E. Bell, Vice President - United States Railway Leasing Co./Evans Transportation Co.

Countersigned - by Rackwood

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REGISTRATION NO. 1052
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INSTITUTE COMMISSION

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EQUIPMENT SCHEDULE No. 1

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as of **February 1**..., 1979.....

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XF	50' Rigid Boxcars	LEF 1100 thru LEF 1199	50'6"	9'6"	10'6"	10'	100

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

/s/ Jay F. Miller, President

/s/ J. L. Hartle, Vice President

TITLE

TITLE

DATE: January 30, 1979

DATE: January 30, 1979

EQUIPMENT SCHEDULE No. 2

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as ofFebruary 1, 1979.....

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XM	50' Rigid Boxcars	LEF 1200 thru LEF 1299	50'6"	9'6"	10'6"	10'	100

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

/s/ Jay F. Miller, President

/s/ J. L. Hartle, Vice President

TITLE

TITLE

DATE: January 30, 1979

DATE: January 30, 1979

EQUIPMENT SCHEDULE No. 3

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as of **February 1**, 1979.....

A.A.R. Mech. Design.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XM	50' Rigid Boxcars	LEF 1300 thru LEF 1414	50'6"	9'6"	10'6"	10'	115

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

/s/ Jay F. Miller, President

/s/ J. L. Hartle, Vice President

TITLE

TITLE

DATE: January 30, 1979

DATE: January 30, 1979

FEB 12 1979 - 2 05 PM

LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT, made as of this 1st day of February, 1979, betweenLEF & C Leasing Company Incorporated, a Pennsylvania Corporation, P. O. Box 430, Clarion,Pennsylvania ("Lessor"), as Lessor, and Lake Erie, Franklin & Clarion Railroad Company,a Pennsylvania corporation ("Lessee"), 1062 E. Wood Street, Clarion, Pennsylvania.1. Scope of Agreement

A. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, boxcars and/or other railroad equipment of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto whether for boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties of this Agreement that the Lessor shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each with respect to all of the Cars described on each Schedule, provided, however, that the Lessor or Lessee may terminate this Agreement as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provision

A. The Lessor will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to the Lessor that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and Lessor's determination that the Car conforms to the specifications ordered by the Lessor and to all applicable governmental regulatory specifications, and this Agreement has not been terminated, the Lessor will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by the Lessor. The Cars shall be moved to Lessee's railroad.

RECORDATION NO. 10085

FEB 12 1979 - 2 02 PM

INTERSTATE COMMERCE COMMISSION

Washington, D.C.

Department of Transportation

Office of the General Counsel

Room 5000, 400 North Capitol Street, N.E.

Washington, D.C. 20540

Attention: General Counsel

Enclosed for the General Counsel

are two copies of a letterhead

transmission dated and captioned

as above.

Very truly yours,

Director

Enclosure

cc: Bureau of Motor Vehicle Safety

cc: Bureau of Transportation Statistics

cc: Bureau of Transportation Planning

cc: Bureau of Transportation Research

cc: Bureau of Transportation Development

cc: Bureau of Transportation Administration

cc: Bureau of Transportation Security

cc: Bureau of Transportation Finance

cc: Bureau of Transportation Law

cc: Bureau of Transportation Policy

cc: Bureau of Transportation Information

cc: Bureau of Transportation Communications

cc: Bureau of Transportation Education

cc: Bureau of Transportation Training

cc: Bureau of Transportation Research

line at no cost to Lessee as soon after acceptance of delivery by the Lessor as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, Lessor can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to the Lessor the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "initial loading"), Lessor agrees to assist Lessee in monitoring Car movements and, when deemed necessary, by the Lessee and the Lessor, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules. The Lessor agrees to pay any such of the latter Car movement expenses.

B. Pursuant to the terms and conditions of a Lease Agreement made the 3rd day of January, 1977 between Itel Corporation-Rail Division (formerly SSI Rail Corporation) and Lake Erie, Franklin & Clarion Railroad Company, the Lessee shall give preference to Itel Corporation-Rail Division and shall load the Cars leased from Itel Corporation-Rail Division prior to loading Boxcars leased from other parties or purchased by Lessee so long as said Lease Agreement made the 3rd day of January, 1977 shall remain in full force and effect. Next following the aforesaid preference, however, Lessee shall give preference to Cars of the herein named Lessor and shall load the Cars leased from the said Lessor prior to loading Cars leased from other parties, owned by other parties, or purchased by Lessee subsequent to the date of this Agreement. Provided, however, that the aforesaid preference provisions shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities, upon reasonable request therefor, to shippers on its railroad tracks.

C. Additional Cars may be leased from the Lessor by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by the Lessor and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Boxcars the delivery of any Car to Lessee shall be subject to manufacturer's delivery schedules, financing satisfactory to the Lessor and the mutual acknowledgement of the parties that the addition of such Cars is not likely to reduce utilization of all Cars on lease to Lessee to less than 75 percent in any calendar quarter. If due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the term of the lease shall be deemed to have commenced on the date the final Car of the most recent group of Cars was delivered to Lessee.

Lessee agrees to pay to Lessor, as compensation for the use of the Cars, the amount of the monthly rental fee set forth in the Schedule to this Agreement, which shall be paid to Lessor by Lessee on or before the 15th day of each month, beginning on the date the first Car is delivered to Lessee, and continuing until the date the last Car is delivered to Lessee.

4. Railroad Markings and Record Keeping

A. Lessor and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, the Lessor shall during the term of this Agreement cause to be prepared for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and

the Universal Machine Language Equipment Register; and (III) such reports as may be required from time to time by the Interstate Commerce Commission (ICC) and/or regulatory agencies.

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. The Lessor shall, on behalf of Lessee, cause to be performed all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as the Lessor shall select.

D. All record keeping so performed by the Lessor hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by the Lessor in a form suitable for reasonable inspection by Lessee from time to time during regular Lessor business hours. Lessee shall supply the Lessor with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as the Lessor may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, the Lessor will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee while such Car is in the physical possession of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to the Lessor for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to the Lessor for and during the lease term of each Car all of its right, title and interest in any warranty so assigned shall be made and prosecuted by the Lessor at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to the Lessor.

B. Except as provided above, the Lessor shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of the Lessor, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by the Lessor. The Lessor shall also make or cause to be made at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars, without the Lessor's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without the Lessor's written consent, Lessee shall be liable to the Lessor for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with the Lessor.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules--Freight for cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. If Lessee elects to carry insurance, it shall furnish the Lessor concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance

with respect to the insurance carried on the Cars signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and the Lessor (or its assignee) as their interests may appear.

D. The Lessor agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind of character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. The Lessor shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. The Lessor and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. The Lessor shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees to pay the following rent to the Lessor for the use of the Cars:

(i) The Lessor shall receive currently all payments made to Lessee by other railroad companies for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments"). In addition, the Lessor will receive, as additional rental, all monies earned by the Cars prior to their initial loading.

(ii) The rental charges payable to the Lessor shall be paid from the payments received by Lessee in the following order until the Lessor receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(iii) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules--Freight and the appropriate amount due as a result thereof is received by the Lessor, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment or car hire payments ceased.

B. In the event Car utilization in any calendar quarter is less than 75 percent or if at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the utilization cannot be equal to or greater than 75 percent, the Lessor may, at its option and upon not less than 10 days prior written notice to Lessee, terminate this Agreement as to such Cars as the Lessor shall determine. For the purposes of this Agreement, utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar quarter that car hire payments are earned by Lessee on the Cars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each calendar quarter that the Cars are on lease to Lessee, commencing from the initial loading.

C. The Lessor may, at its option, terminate this Agreement if the Interstate Commerce Commission (ICC) shall, at any time, (1) issue an order reducing incentive car hire for Boxcars or other Cars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both the Lessor and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee

spend funds not earned by the Boxcars or other Cars in order for Lessee to continue to meet its obligations set forth in this section.

D. Subsequent to the initial loading, if any Car remains on Lessee's railroad tracks for more than seven consecutive days, the Lessor may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks. If any such Car remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Cars as specified in Section 38, Lessee shall be liable for and remit to the Lessor an amount equal to the car hire revenues Lessee would have earned if such Cars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business, provided the Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad track; and to assist the accomplishment of this objective, Lessee shall designate the Cars as exempt from AAR Car Service Rules 1 and 2. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by the Lessor in connection with the acquisition of Cars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either the Lessor or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten days thereafter.

(iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating, to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of the Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all of its tracks or abandon all of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, the Lessor may, at its option, terminate this Agreement and may

(i) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof (and Lessee agrees to bear the Lessor's costs and expenses, including reasonable attorney's fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon the Lessor may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. The Lessor shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to the Lessor by delivering the same to the Lessor. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as may be designated by the Lessor, either, at the option of the Lessor, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by the Lessor. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by the Lessor. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days free storage on its railroad tracks for the Lessor or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to subsections 6B or 6D or section 8 prior to the end of its lease term, Lessee shall be liable to the Lessor for all costs and expenses incurred by the Lessor to repaint the Cars and place thereon the markings and name or other insignia of the Lessor's subsequent lessee.

10. Indemnities

The Lessor will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear expected, unless occurring while Lessee has physical possession of Cars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars other than loss or physical damage (unless occurring through the fault of Lessee), including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by the Lessor or Lessee).

11. Representatives, Warranties and Covenants

Lessee represents, warrants and covenants that:

(I) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(II) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrances upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(III) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(IV) There is no fact which Lessee has not disclosed to the Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither leased nor purchased any boxcars.

12. Inspection

The Lessor shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify the Lessor of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify the Lessor in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee

shall, when requested, furnish to the Lessor promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of the Lessor assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by the Lessor in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by the Lessor shall constitute a waiver or otherwise affect or impair any right, power or remedy available to the Lessor nor shall any waiver or indulgence by the Lessor or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of Pennsylvania.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

BY:

Jay T. Miller

BY:

J. L. Hartle

TITLE:

President

TITLE:

Vice President

DATE:

*January 30, 1979 as of
February 1, 1979*

DATE:

January 30, 1979

STATE OF Pennsylvania)
COUNTY OF Clarion)

On this 30th day of January, 1979, before me personally appeared J. L. Hartle
....., to me personally known, who being by me duly sworn
says that such person is Vice President....., that the
foregoing Lease Agreement was signed on behalf of said corporation by authority of its board of
directors, and such person acknowledged that the execution of the foregoing instrument was the
free act and deed of said corporation.

Marilyn L. Smerkar
Notary Public

MARILYN L. SMERKAR, NOTARY PUBLIC
ELK TOWNSHIP, CLARION COUNTY
MY COMMISSION EXPIRES APRIL 2, 1979
Member Pennsylvania Association of Notaries

STATE OF Pennsylvania)
COUNTY OF Clarion)

On this 30th day of January, 1979, before me personally appeared
Jay H. Miller....., to me personally known, who being by me duly sworn
says that such person is President....., LEF & C
Leasing Company Incorporated, that the foregoing Lease Agreement was signed on behalf of said
corporation by authority of its board of directors, and such person acknowledged that the exe-
cution of the foregoing instrument was the free act and deed of such corporation.

Marilyn L. Smerkar
Notary Public

MARILYN L. SMERKAR, NOTARY PUBLIC
ELK TOWNSHIP, CLARION COUNTY
MY COMMISSION EXPIRES APRIL 2, 1979
Member Pennsylvania Association of Notaries

EQUIPMENT SCHEDULE No. 1

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as ofFebruary 1, 1979.....

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XF	50' Rigid Boxcars	LEF 1100 thru LEF 1199	50'6"	9'6"	10'6"	10'	100

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

Jay F. Miller, President
TITLE

J. L. Hartle Vice Pres.
TITLE

DATE: January 30, 1979

DATE: January 30, 1979

EQUIPMENT SCHEDULE No. 2

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as of February 1, 1979.....

A.A.R. Mech. Design.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XM	50' Rigid Boxcars	LEF 1200 thru LEF 1299	50'6"	9'6"	10'6"	10'	100

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

Jay Z. Miller, President
TITLE

J. L. Hartle Vice Pres.

DATE: January 30, 1979

DATE: January 30, 1979

EQUIPMENT SCHEDULE No. 3

LEF & C Leasing Company Incorporated hereby leases the following Cars to Lake Erie, Franklin & Clarion Railroad Company pursuant to that certain Lease Agreement dated as of February 1, 1979.....

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Inside			Doors Width	No. of Cars
			Length	Width	Height		
XM	50' Rigid Boxcars	LEF 1300 thru LEF 1414	50'6"	9'6"	10'6"	10'	115

LEF & C LEASING COMPANY INCORPORATED

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

Jay F. Miller, President
TITLE

J. L. Hartle Vice Pres.
TITLE

DATE: January 30, 1979DATE: January 30, 1979